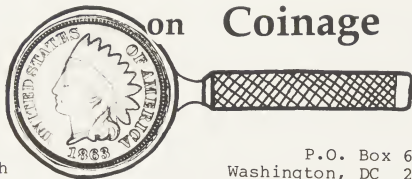
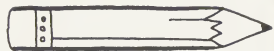


INSIGHT



on Coinage

Institute for
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EDITORIAL

The hobby of Numismatics is filled with choices for us, some more difficult to make than others. We have choices about what to collect, who to buy from, raw coins versus slabs - even which third-party grading service to use. We can make bad choices, good choices or better choices. Even though the number of choices is bewildering sometimes, it's great to be able to choose our own numismatic destiny for ourselves.

Our goal has always been to make the best, most informed choice using all the knowledge and options we can muster. That is one reason we are writing Insight On Coinage. To make you better informed about all the options you have as you pursue your numismatic interests.

Every Seminar we give or take, also teaches us we must think and make choices. We learn something new in numismatics practically every day.

We are glad many of you have chosen to take the Institute's Coin Grading and Authentication Correspondence Course and subscribe to this newsletter. We think you have made a wise and pleasant choice. We'll relate some of our recent choices this month in MICROSCOPICALLY SPEAKING.

We would like to thank Gordon Berg and Ed Kuszmar for letting us hang a large poster about the educational programs of the Institute over the literature table of the Suburban Show in Baltimore. While there, we spent several hours looking at coins with one of our seminar students and we were extremely happy at the ease with which he could detect unnatural coins!

Many of our subscribers wrote in asking if they missed the March issue. NO. Previously, the NL's were mailed the first week of the month after the issue was dated. We are keeping the mailing date the same; but dating the issue for the month it is mailed. Our subscriptions are for twelve issues not twelve months.

TOO HOT TO HANDLE

The question of hobby/industry support for a self-regulatory group (SRO) is many-sided as evidenced by the numerous opinions which have appeared in the pages of the numismatic press.

Problems in the coin industry do not come about by a lack of rules, laws, or guidelines, and they are not new. There are State and Federal laws on the books to regulate business. Organizations such as the ANA and PNG have rules in place to guide their members. All bases

are covered; yet abuses in our hobby/industry by both individuals and companies continue to multiply. It took the threat of U.S. government regulation of the coin industry to make us more aware of the existing problems. Let's not ruin the hobby because of some individuals who use our own apathy and greed to their advantage.

Do we need government involvement with coins? I think not. The government doesn't have the knowledge necessary to regulate our hobby; the solutions they develop will involve changing the rules of the game to suit their goals and their ideas of public welfare rather than those of the hobby. The 1972 Hobby Protection Act is a good case to look at. Basically the Act forbids any persons or companies from making replicas of coins without marking them so they could be identified as copies. Who would argue against that? We just felt it was stretching a point; and saw no reason to have the Act passed. The thought of marking crude cast replicas and concoctions which we saw regularly at ANACS made us smile. In most cases, these fakes were not being sold to anyone! They passed down through families or were discarded to be found later by a non-numismatist. One knee-jerk crusader convinced the government that these replicas were a menace to the hobby when the reverse was probably true. These worthless bits of metal often were the first introduction into numismatics for countless cereal eaters and magazine subscribers. We don't recall any drop in the volume of these fakes submitted for authentication after the Act was passed. The only change we could see were the letters C-O-P-Y on the edge which made it easier to convince a submitter that his coin was bad. That's my point. The government cannot protect people from their own ignorance or greed. In any case, let's clean up the hobby/industry before government becomes more involved.

The arguments in favor of an SRO are persuasive and can be summed up as providing more confidence in the coin industry.

Others have outlined arguments against an SRO such as its cost to collectors, more bureaucracy, and the lack of enforceable standards. They argue that ICTA, ANA, PNG, and CABDAP are all that's needed. It's even been suggested that we should stop flaunting coins as a "sight-unseen" financial instrument.

Is an SRO the answer? I think not. Someone, somewhere in the hobby organizations dropped the ball - collectors, our hobby, and the coin business were the losers as the ball rolled away and was picked-up by the "players" who ran with it to their agenda and goals. We have an unregulated game. The rules exist but they are ignored or not enforced to the extent they should be. Coin dealers go bankrupt, leaving huge amounts of debt; yet they are back in business shortly or even elected to offices in our hobby groups. Our national organizations don't wish to play policeman; besides, it takes money and time to pursue the rule-breakers. They must also be careful of slander or lawsuits. Is it any wonder why it's best to slap a wrist or look away from disgraceful business behavior.

Although many of the gentlemen numismatists are gone and business attitudes have changed some with the times, who is better to police the hobby/industry than those who are in it? We don't need another watchdog group. We need support from the organizations already in place. Let's start the clean-up from within. It is a fallacy to let undesirables into a hobby organization when they do not meet high standards. Keep them on the outside so they do not pollute the symbol of honesty, knowledge, and integrity that the trade organizations seek to foster.

Much of the problem in our industry comes from outsiders anyway.

Who told anyone that coins were investments? Coins are collectibles, and they are fun. If a person makes a profit when they are sold, that is a bonus. Coins are also a business for many honest people. It must be a good business or fun, otherwise we wouldn't have so many people with different business backgrounds involved in the trade. Unfortunately, some savvy businessmen work the air waves and non-hobby publications for fresh, unknowledgeable buyers with the lure of quick riches using coins as an investment.

Third-party slab coins have made dealing in coins easy and almost risk-free for any good businessman. They need no knowledge of numismatics; best of all, there is no real liability as long as they don't get too greedy. They don't grade the coin, the experts do! Only the grade on a plastic holder matters to these dealers. In their eyes, all third-party grading services are equal. Look around a major coin show, and you will see the third-party services which are respected. The brand-X slabs are not around in any quantity or are kept on the back table. Where do the "outsiders" get their coins to sell? Many attend coin shows just as the majority of us.

This is another place to start cleaning up the hobby/industry. In the fairly recent past, a new type of coin dealer has evolved, the coin wholesaler who only sells to the trade. In these days of price fluctuations, we probably need dealers with strong cash positions and even stronger backbones who take huge risks to make the coin market more stable for all of us. Who is better placed to observe the pulse of the market? These dealers know who is financially solvent and which companies want MS-65 slabs at MS-63 prices or don't mind buying low-end coins at a discount.

Years ago, while a grader for at a third-party grading service, I looked through slabs for dealers to find coins which could be sent to our service and graded higher. Our service graded technically. A problem-free, fully lustrous, minimum bagmarked coin with a weak strike would grade MS-65. Clients and dealers familiar with our methods of technical grading had no problems and valued their coins according to the market conditions. On the other hand, an uninformed collector could be charged the full MS-65 price for a weakly struck, virtually perfect coin. Today, we see percentage charts in some of the price guides to help evaluate the products of the major grading services. This may be one attempt at self-regulation. While an informed buyer has few problems determining a value for a coin in a slab, most of those falling victim to scams would think a "bluesheet" belonged on a bed!

I believe an effort should be made to isolate dealers who can be shown to misrepresent their products. Major dealers and wholesalers know who most of the "outsiders" are who are hurting the image of numismatics as a safe, possibly profitable pastime.

You have heard the investment pitch concerning coins before. I'll be the first to agree that a well-planned and properly graded group of coins which are purchased at fair prices are pleasurable to see, hold, and own. The past performance of such a group when sold properly, at the right time, has been great. How can we ask honest dealers to ignore this truth when they deal with their prospective clients. How can we ask wholesalers to give up a major amount of their income by not selling coins to anyone who is buying. Where does discrimination begin? Why should dealers have to worry about the future resting place for inferior products?

These are problems the whole industry must face together. Then we won't need regulation or an SRO. Perhaps we may get one just to keep up

appearances. Business as usual, only more costly. A worse scenario is government interference.

BETWEEN THE LINES

In the July 31, 1990 issue of Numismatic News, Alan Herbert wrote a thought-provoking article under the headline: "How Much Is Too Much Magnification? We are going to use this article to introduce the topic of magnification to our readers. We feel that it is so important to understand your options when viewing coins, that we will expand our ideas after you have had a chance to test the basics you read here.

Mr. Herbert begins his article with a statement that should make you realize that in the future, there may be no such thing as too much magnification. Standards change. We have recommended the use of even higher powers of magnification for almost twenty years! We quote from the original article:

* "Several weeks ago I [Alan Herbert] answered a question in Coin Clinic about using a magnifying glass, and quoted what I thought was the current recommendation from the [old] American Numismatic Association Certification Service. It turned out that it wasn't as current as I had thought ..." Welcome to the real world folks! There are no standards that are etched into stone as far as numismatic grading is concerned. Even though the topic of coin grading has been discussed by numismatists since the late 19th Century, the development of new technologies and economic pressures brought about by the evolution of numismatics from a hobby to a business, has caused an expansion of knowledge and sophistication which encourages change. In the late 70's and early 80's the ANA recommended a 4X hand lens to view coins. The standard was raised to 7X allowing more detail to be seen on a coin. We have not seen the "new" ANA Grading Guide yet so we can't report on any changes from the 7X standard.

* "..., one single magnifier [power] very likely will not fill both jobs [authentication and grading]." Very true. Different powers of magnification are necessary for authentication. While some counterfeits or coins with added mintmarks can be detected with the naked eye, trying to detect modern examples of fakes without the use of a stereomicroscope is courting trouble. On the other hand (in spite of what you may read to the contrary), while grading a coin, an experienced numismatist can switch back-and-forth between different power lenses (and lighting) with no problem at all. Beginners may wish to use the same light source and magnification to lessen the variables while they learn to grade. Don't write to us and tell us that this Ex-Pert or that Ex-Pert ALWAYS uses a 45 watt bulb, 19.5 inches away from the coin he is grading with a 10X lens. Perhaps you should read the underlined words again.

* "[Coin expert, writer and former ANA Governor Bill] Fivaz highly recommends the [Bausch & Lomb] Hastings Triplet ..." Ditto. We take a 7X Hastings Triplet and a 20X Hastings Triplet to coin shows even when we take our microscope. We've also discovered the convenience of the B & L 3X, 4X, 7X combination lens set. The 3X alone is virtually worthless but when paired with the 4X, it gives a 7X combination. The 4X lens alone lets you view an entire Silver Dollar at once. While the lenses are not corrected, they are large enough that the distortion is

outside the field of view for most coins. They also let more light reach the coin, give a larger field of view, and are easier to use than the much smaller 7X triplet. We still use our 7X Hastings but teach our seminars with the 7X combination lens.

* "I [Alan Herbert] have been using a 10X to 30X microscope for nearly two decades for any serious looking at coins, mainly because my work centers on authentication rather than grading." Congratulations Mr. Herbert! Let's spread the word. We have been using a 7X to 80X stereo-microscope for two decades for any serious work with coins involving authentication AND GRADING. The key word is serious. Someday in the future, when others start to get serious about grading the use of the microscopes will spread!

* "The point behind ... standard of a 7X lens is an attempt at uniformity. ...if everyone is looking at a coin with exactly the same magnification, then everyone is going to see the same flaws and defects at the same level, or with equal importance." Alan Herbert has reservations when this theory is put into practice and so do we! Some of our reasons differ from those expressed in the article. The important point we wish to make is that MAGNIFICATION IS THE GREAT EQUALIZER. No matter what your vision (within reason), some power of magnification will let you view a coin the same as a person with 20/20 vision and a 7X or whatever hand lens!

Magnification alone is not the answer. Unless you rotate and tip the coin as you view it, you may miss many characteristics even using a high magnification (See Vol. 2, No. 3 issue of Insight on Coinage). In addition, without the knowledge of what you are looking for as you examine a coin, standardization of power for grading is useless.

* "...day in and day out I see collectors and dealers grading their coins without the benefit of any sort of magnification." How true. Is it any wonder that coins bought and sold as natural Uncirculated at a coin show are often downgraded at a grading lab when they are examined more closely under proper magnification and lighting.

* "This feeling of concern gets even stronger when I see someone take off their glasses in order to examine a coin..." There is nothing wrong with this! Nearsighted people who remove their glasses to view a coin, see it as if they are using a low power glass! We know this from experience.

* "...I indicated that stronger magnification would be of benefit in grading." Alan Herbert's statement is based on his experience looking at coins using a microscope. Once you begin, you move to a higher level of knowledge about coins. Most numismatists would disagree with this, but take a person with an open mind and fifteen minutes of free time and we'll make a believer out of him. You don't go around grading coins at 30x; but it should be obvious that even using 7X with two eyes is better for grading than one eye and any power!

* "...are there things on a coin we're not suppose to see when grading it?" Of course there are! If you learn to detect evidence of cleaning found on some coins, you may not wish to buy them. Why not see everything on a coin there is to see. Then make your grade or purchase determination based on that knowledge. If others wish to grade or buy coins based on what they can see using one eye and a 7X standard - it's a free country.

The article reports that at one of the grading services, graders use lenses from 3X to 16X to view coins "anything that they feel comfortable with". This is as it should be. We teach that with experience, you can form a close, reliable grade opinion with your naked-eye as you bring the coin up to your hand lens! Mr. Herbert also stresses the need for practice with whatever power you use to examine coins. You must become "comfortable", and "learn properly".

Finally, several knowledgeable numismatists like to use the phrase: "you can't always see the forest for the trees" as is mentioned at the end of this article. We would like to assure our readers that a knowledgeable numismatist needs no restraints on the magnification he uses for grading. Taken to its fullest, by using a stereomicroscope you can see the forest AND the trees.

Watch Coin World and Numismatic News for more on this subject. Otherwise you'll read it here in TOO HOT TO HANDLE.

BOOK REVIEW

A Buyer's Guide to the Rare Coin Market by Q. David Bowers is a book we recommend you read. David's long career in numismatics allows him to give readers a perspective of coin market developments, and he relates many interesting stories in that regard.

We were especially pleased with the novel way A Buyer's Guide was written. Bowers makes readers think because he includes excerpts of other writer's work, often as a counterpoint, to enlighten readers with both sides of an issue.

We feel the book is ideal for new collectors and investors. In fact, we lent our copy to a friend who wanted to learn about coins, and we're sure Dave's style of writing along with his interesting stories will hold their attention and make learning pleasurable.

We can recommend this book to experienced collectors also. We learned a few things and also chose several ideas to pursue in future articles. As an example, we are going to start calling Edge Milling which is applied at an angle - Diagonal Reeding as it's called in the glossary of the Bowers book. See April Insight.

The basic premise of A Buyers Guide is: Collecting or investing in coins can be a very enjoyable and financially rewarding pastime, but that for best results a buyer should obtain basic knowledge before making purchases. AMEN! Who would argue with this statement which he supports with examples? In several places, a whole philosophy like "opportunities for the collector-investor" is condensed into a short paragraph. These "gems" from a very successful dealer/educator/writer are worth the price of the book!

We recommend you read Chapters 1-10 and 17 first. These chapters cover various ways to buy coins properly. Chapter 7 is about Mints and coin making. We feel the section on coin making is too sketchy. Either it should be expanded or left out of the next edition. Chapters 8 to 10 give a realistic view of coin grading, pricing, and value. Bowers uses his talents to edit a discussion of a difficult subject.

Other chapters contain specific recommendations by series and type. Bowers takes a unique (to our knowledge) approach to his recommendations by suggesting specific coins based on the size of the buyer's budget. Call 1-603-569-5095 to order.

MICROSCOPICALLY SPEAKING

It's official! Our discovery of the 1877/6 Seated Liberty Half Dollar overdate variety was just published in the Gobrecht Journal, the magazine of the Liberty Seated Collectors Club. The Club is open to all numismatists interested in Liberty Seated Coinage. First year dues in the Club are only \$11. The enjoyment you'll get from just reading the magazine will make you glad you joined the club. The members take their collecting seriously! Write: John Kroon, POB 1062, Midland, MI 48641.

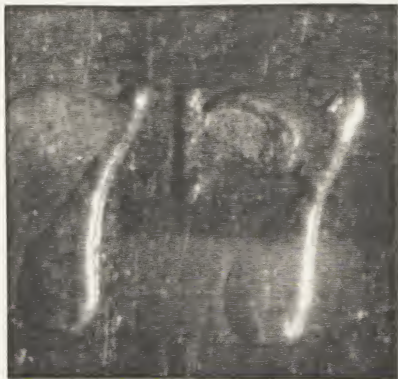
Let's take a look at some of the numismatic choices we had to make when we discovered this overdate before we tell you more about it. When you start looking at coins as closely as we've suggested, sooner or later, you will be lucky enough to discover a new variety. Now for your choices, fame or fortune. If the coin is a major variety, like the 1955/55 Double Die Cent, you can announce its discovery and have a minor part in numismatic history - your fifteen minutes of fame; or keep the variety secret, and look for more examples (fortune).

It's a real dilemma. We can tell you from first hand experience that someone, somewhere has already discovered "our" variety". How can we be sure? Because on six occasions in the past, we have read one of these "major new discovery" reports by a fortunate collector LONG AFTER we've found a specimen which we chose not to report!

Why publish a variety? Both to advance numismatic knowledge and to aid in the discovery of more specimens. You see, as other collectors find more of these coins they will become more valuable. It's one of the results of your choice. When few examples of a variety are known, often it's not as popular as it should be to collectors. That's why it is important that exposure in the numismatic press reveals more examples.

At this time the variety is EXTREMELY RARE with one known. We've looked for another example for over ten years without telling anyone else of the coins existence. Hopefully, a few more examples will be discovered.

We can think of several good reasons why this overdate was previously unreported and will remain very rare. A peripheral die break occurs on both sides of the coin which shows that both the obverse and reverse dies of the overdate were coming apart, so the number of coins the die could produce would be greatly reduced. Remember, it's reasonable to assume that the obverse die had already been used while it was still dated 1876. Also, the overdate is only visible on the relief area of the last date numeral. In the photo at right, the top curve and ball of the six can be seen at the top of the final seven. Coins in a lower grade than Extra Fine + will probably be too worn to show the overdate. HAPPY HUNTING!



BOOS AND GEMS

We did a story about carbon spots on coins in our December 1990 BOOS & GEMS column. In the story we showed a photo of a microscopic wood fiber imbedded into the surface of a coin. We described the wood chip as a minor struck-through error since it had to be between the planchet and the dies while the planchet was being struck into a coin. We theorized that these particles might have originated from the wooden containers used to store or transport planchets at the U.S. Mints during the 19th Century.

This month's Gem gives a more logical explanation of how these wood particles got on blanks. While reading The Art and Craft of Coin Making by Denis R. Cooper, we stumbled upon this explanation on page number 192:

"On removal from the drums [where the blanks are washed] the blanks were separated from the chemicals in a sieve and then needed drying. A very popular way to dry blanks was to mix them with warm sawdust in trays.

Remember, our advice that you read everything you can about coins? Some books you may need to read twice! While visiting the ANA Library a year ago, we borrowed The Art and Craft of Coin Making. It's a worthwhile book but parts of it are rather dry and technical. We missed the information about sawdust during our first reading. Luckily, a few weeks ago, while using the book to research the name for a specific type of coin edge we found our Gem.

Now we have a new research project that any of you can do and, we guarantee that your work will be published! We don't recall ever seeing sawdust struck-through errors on 1921 Morgan Dollars or any Peace Type Dollars. We also know that the Mint eventually began to use hot air to dry the planchets. By examining Morgan Dollars for this type of foreign material or the pits left behind, you will be able to tell when the mint stopped using sawdust as a drying agent. We'll also bet that the various Mints stopped at different dates; and we would expect the Philadelphia Mint to have been the first to switch to air drying. Please let us know if you find the answer; we'll give you a mention for your Gem of knowledge!

COMING UP

While teaching coin grading to a small group of collectors in the DC area, one expressed an interest in taking our coin authentication course. We have two interested prospects at this time, so write or call if you would like to join them. You must have completed our Introduction to Grading and Authentication or have taken an ANA Seminar to attend.

Look for an announcement in the numismatic press about a summer seminar to be held July 27 and 28 at Roger Williams College in Bristol, RI. We are holding the conference jointly with the Numismatic Institute of North America (NINA). The college has air conditioned rooms and it is a short distance away from Newport! Call 1-800-666-2646 for details.

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viewpoint

Precise grading

By F. Fazzari

The science of measurement contains a paradox. We can divide some measurements into smaller and smaller parts and as a result, never arrive at an exact measure. With each smaller division we only make our measurement more precise. This is true for coin grading. We can say that we are grading exactly one Morgan dollar, but we cannot measure its grade exactly no matter how finely we divide the criteria we use to make our grade determination.

For this reason, numismatists often say grading coins is a subjective art and not an exact science. For instance, a person who examines a coin with a 7X hand lens might grade it MS-65, while a more detailed measurement of the grade using a stereo microscope might reveal it to be a gem coin with a small amount of cabinet friction, or about uncirculated.

Other factors, such as the experience of the grader, market conditions, rarity of the coin, strength of the strike and so on can also be shown to contribute to the inexact measurement of a coin's grade.

It would seem that with all the subjectivity introduced into the art of grading the experts would try to define the way they measure grades. The adoption of 11 mint state grades was

one attempt at a more detailed measurement. The use of computer-assisted grading might be a better solution because it eliminates many of the variables which let a coin be graded differently each time it was sent to the same slab service, especially the down-grading of resubmitted coins which resulted as the "experts" at the various grading services became more knowledgeable about detecting coins with altered surfaces.

If programmed correctly, a computer will be able to measure the physical parameters of a coin such as the reflectivity of its surface, and the number, severity and location of impact damage more precisely than a human grader. Other attributes such as strike, amount of wear and eye appeal will present greater problems for a computer because of their subjective nature and the paradox of scientific measurement.

A coin with a weak strike or friction wear can look the same to a machine. An examination of the grading being done by the major slab services indicates that even the "expert" human graders are having problems telling the difference. Coins having various amounts of rub from "cabinet friction" to circulation wear are found slabbled as mint state. The definition of uncirculated by Dr. Sheldon in *Penny Whimsy* is simple and precise — no

trace of wear.

The dealer "experts" who developed the grading system in use by the various major slab services as well as many coin dealers and collectors, choose to ignore this definition of uncirculated and allow for different amounts of friction wear on a coin depending on its rarity, type, metal composition, market conditions, size, etc. Is it any wonder that grading is considered subjective and defies exact measurement?

Graders do not even start their grade determination at the same point. There is no mystery or secret to what this starting point should be. If a coin has friction wear, or a trace of wear, it is not full mint state.

A practical example of the inconsistent standards for the amount of wear allowed on a coin before it is downgraded into the AU range exists with the two major coins which one of the slab services plans to grade by computer. Morgan dollars are graded using very strict standards for the amount of friction wear. To keep this example simple, most Morgan dollars graded mint state in slabs are just that — full mint state with no trace of wear.

On the other hand, most Saint-Gaudens \$20 gold pieces graded mint state by the same slab service exhibit various amounts of wear, all the way down

to the old AU-55 grade in some cases! A small percentage of Saint-Gaudens double eagles slabbled as mint state really are full mint state, have full luster and no trace of wear, similar to the standards used for the silver dollars.

How will they explain this to the computer? Will the grading service program this error into the computer, giving gold coins a different criteria for natural surges, luster breaks, and wear than allowed for silver dollars? How will it factor in the true uncirculated \$20 coins?

As time goes on, new technologies will enable computers to break down grading into smaller and smaller bits; yet we will never reach an exact grade for a coin. I say that the least we can do for future numismatists is to start the new computer grading technology off on the right foot. The uncirculated condition should indicate the same state of preservation with regard to friction wear for coins of all ages and metals — no trace of wear. In this way, we will be approaching the elusive goal of scientific measurement for coins.

Mr. Fazzari is a former head of the American Numismatic Association Certification Service. He conducts grading and counterfeit detection seminars on the East Coast several times a year.

REPRINT

We have had quite a few requests for copies of our Precise Measurement article mentioned in HEADS & TAILS column on commercial and technical grading in Vol.2 NO.2. Space restrictions plus the fact we don't want to bore you with duplicate articles kept us from reprinting the article with our story. One prospective subscriber to *Insight* said there was no point paying for our newsletter since he could read our articles in other coin publications. Hopefully, he'll come around eventually.

We hope our friends at Numismatic News have not been swamped with requests. Again, we urge all our readers to subscribe to both weekly coin newspapers. When the knowledge bug really bites, you may wish to add *Coins* and *Coinage* magazines to your reading list.

Now, for those of you who missed it, we'll reprint it here to add to your understanding of the series we are writing about technical and commercial grading.

You may wish to re-read the technical versus commercial debate in HEADS & TAILS now that you have this new outlook.

